

SENATE FISCAL AGENCY MEMORANDUM

DATE: February 22, 2007

TO: Senate Appropriations Environmental Quality Subcommittee

FROM: Jessica Runnels, Fiscal Analyst

RE: Governor's FY 2007-08 Fee Proposals

As part of the FY 2007-08 operations budget for the Department of Environmental Quality, the Governor proposed statutory changes for eight permit fees. Four of the fees are scheduled to sunset either before or during the 2007-08 fiscal year. Below is a brief description of each fee proposal. The Subcommittee begins deliberations on this budget in April. A detailed analysis of each fee proposal will be provided before that time.

Air Emissions Fees

Facilities that are subject to Title V of the Federal Clean Air Act must pay an annual fee for a Renewable Operating Permit in order to emit certain air pollutants. Most fee payers are manufacturers or public utilities. Federal regulations require that the fees assessed must be sufficient to operate the program at the Federal-designated level and that they may only be used to administer the Title V program and the New Source Review program for fee-subject facilities. Two years ago, these fees were extended without increase in order to spend down a fund balance. The current fee will sunset September 30, 2007. The Governor proposed a new fee structure with annual inflationary increases based on the Detroit CPI. Estimated revenue for FY 2007-08 is \$16,576,000.

Groundwater Discharge Fees

Groundwater discharge fees were initiated in 2004, although the permit program had been around for many decades. These fees mostly are paid by manufacturers, food processors, municipalities, and small businesses that discharge wastewater into the ground, rather than into sewer systems and surface waters. The current fees sunset October 1, 2007 and this will be first time they are considered for extension. The Governor proposed a revised fee structure with higher fees that include both flow and complexity factors and the fees would be adjusted annually based on inflation. Estimated revenue for FY 2007-08 is \$3,084,500.

Hazardous Waste User Fees

Hazardous waste manifest processing user charges, site identification number, and handler user charges are collected from businesses that produce, transport, store, or dispose of hazardous waste. This program is one that the State of Michigan is federally authorized to operate. These fees are scheduled to sunset March 31, 2008 and the Governor proposed increases to compensate for declining Federal and General Fund support for the program. The proposal increased fees by inflation for four years and included a sunset of March 31, 2012. Estimated revenue for FY 2007-08 is \$2,500,000.

Land and Water Fees

Land and water permit fees are assessed for projects involving wetlands, inland lakes and streams, dams, floodplains, Great Lakes, and other water resource issues. Some of the programs supported by the fees are tied to Federal regulations, such as wetlands, while others are not. These fees were extended without increase in 2004 and they will sunset October 1, 2008. In FY 2005-06 and FY 2006-07, another State restricted fund source was used on a one-time basis to cover a shortfall in this fee revenue. To address the structural problem, the Governor proposed an increase at this time even though the current fees will still be in effect through FY 2007-08. Estimated revenue for FY 2007-08 is \$8,400,000.

Mineral Well Regulatory Fees

Permit fees for brine production wells, waste disposal wells, underground storage wells, and test wells are paid by well owners and operators to support the program. The fees were last increased in 1999 and the current statute does not have a sunset. The Governor did not propose a sunset, but would increase the fees, add an inflationary adjustment, and expand the permit program to include wells in the western Upper Peninsula. Estimated revenue for FY 2007-08 is \$215,000.

On-Site Wastewater Treatment Fees

This is a new fee proposed by the Governor. According to the DEQ, General Fund reductions have eliminated support for this program and the new fees would allow it to continue. The fees would be paid by individuals and companies that have on-site wastewater treatment systems. A portion of the fee collected would be retained by local health departments to cover their responsibilities for permits and inspections. Inflationary adjustments would be made based on the Detroit CPI. Estimated revenue for FY 2007-08 is \$598,000.

Pollution Prevention Fees

The Governor proposed a new fee for reports submitted under the Federal Toxic Chemical Release Inventory (TRI). The new fee would supplement a current fee on hazardous waste disposed in a landfill or solidification facility and it is presented as an alternative to increasing the current hazardous waste reduction fee. Revenue from both the current and proposed fees would be used for pollution prevention activities. No inflationary increase is proposed. Estimated revenue for FY 2007-08 is \$2,400,000.

Solid Waste Fees

Fees paid by landfill owners and operators were last adjusted in 2003. At that time, they were restructured and increased to cover the entire program and offset the removal of General Fund support. This is the surcharge or tipping fee of 7 cents per cubic yard. The fees will sunset on October 1, 2007. The Governor proposed an increase that would not take effect until FY 2008-09, with incremental one cent increases for the subsequent three years. Estimated revenue for FY 2007-08 is \$4,200,000.

Please contact me if you have questions.

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